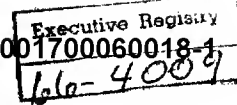


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16 September 1966

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with the President on the Budget

1. On Friday, 16 September 1966, the Director and I attended a meeting in the Cabinet Room of the White House for selected heads of departments and agencies to discuss the President's plans for holding down expenditures and combating inflation insofar as they apply to funds spent by the Federal Government. (The meeting was scheduled for 1330. However, the President was delayed, and the meeting actually began at 1425.)

2. After some brief introductory remarks the President said that he intends to move on five fronts as follows:

a. There will be immediate reductions in the Fiscal Year 1967 budget. I understood this to mean the reductions of which agencies have already been notified. In our case, this is



b. The Bureau of the Budget will notify agencies of additional reductions.

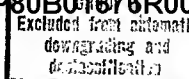
c. For the next three or four months, any obligation or expenditure which can be deferred will be postponed. His objective is to give the private sector no excuse to blame their inflationary actions on the Government.

d. Overtime will be eliminated to the degree possible. The President pointed out that the cost of overtime in the Federal Government has doubled in the past year.

e. Funds requested for the FY 68 budget will be reduced to the absolute minimum. The President said that the budget

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has increased 33 1/3 percent since he became President. He said that Charlie Schultze had told him many agencies feel the target figures which they have been given for FY 68 are woefully inadequate. Regardless, he cannot and will not approve anything like the figures which have been requested.

3. In addition to the foregoing, the President said that the sixth action he proposes to take is to freeze Federal employment. He said that the Federal payroll has increased by 143,000 in the last twelve months and that he does not want one single additional vacancy to be filled unless it is an absolute must.

4. The President mentioned that the American public has \$50 billion more in its pockets to spend now than it did a year ago. Since the Federal Government spends about \$113 billion of the roughly \$740 billion gross national product, he intends for the Federal Government to set the right example and hopes that the private sector will follow. If not, he does not want it to have as a legitimate excuse the claim that it is receiving additional orders from the Federal Government. The President emphasized that he expects all heads of departments and agencies to work at this full time with their minds and with their hearts.

5. The President then asked Charlie Schultze if he had any comments. Charlie said that he would merely like to say that there are two general problems. The first is to reduce expenditures to the maximum degree possible during FY 67, and the second is to hold obligations and expenditures to the absolute minimum during the next three or four months.

6. The meeting adjourned at 1445.



L. K. White

Executive Director-Comptroller

cc: D/PPB

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